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 Crisis Managers for the Debtors, Designated
 Chief Restructuring Officer for the Debtors and
 the Employment of Certain Temporary Employees

E-FILED AUGUST 31, 2006

8 **UNITED STATES BANKRUPTCY COURT**

9 **DISTRICT OF NEVADA**

10 In re:
 11 USA COMMERCIAL MORTGAGE COMPANY,
 12 Debtor.

Case No. BK-S-06-10725 LBR
 Case No. BK-S-06-10726 LBR
 Case No. BK-S-06-10727 LBR
 Case No. BK-S-06-10728 LBR
 Case No. BK-S-06-10729 LBR

13 In re:
 14 USA CAPITAL REALITY ADVISORS, LLC,
 15 Debtor.

Chapter 11

16 In re:
 17 USA CAPITAL DIVERSIFIED TRUST DEED
 FUND, LLC,
 18 Debtor.

Jointly Administered Under
 Case No. BK-S-06-10725 LBR

19 In re:
 20 USA CAPITAL FIRST TRUST DEED FUND,
 LLC,
 21 Debtor.

**FIRST INTERIM APPLICATION FOR
 COMPENSATION AND REIMBURSEMENT
 OF EXPENSES FOR (I) MESIROW
 FINANCIAL INTERIM
 MANAGEMENT, LLC AS CRISIS
 MANAGERS FOR THE DEBTORS, AND (II)
 THOMAS J. ALLISON OF MESIROW
 FINANCIAL INTERIM MANAGEMENT,
 LLC AS CHIEF RESTRUCTURING
 OFFICER FOR THE DEBTORS AND THE
 EMPLOYMENT OF CERTAIN
 TEMPORARY EMPLOYEES FOR THE
 PERIOD APRIL 14, 2006 THROUGH JULY
 31, 2006**

22 In re:
 23 USA SECURITIES, LLC,
 24 Debtor.

Affects:
 All Debtors
 USA Commercial Mortgage Company
 USA Securities, LLC
 USA Capital Realty Advisors, LLC
 USA Capital Diversified Trust Deed Fund, LLC
 USA First Trust Deed Fund, LLC

Mesirow Financial Interim Management, LLC ("MFIM"), crisis managers to the above captioned debtors and debtors-in-possession (each a "Debtor" and collectively, the "Debtors"), and Thomas J. Allison of MFIM, designated Chief Restructuring Officer of the Debtors (together with certain temporary employees provided by MFIM, the "Applicant") hereby present this first interim application (the "First Interim Application" or the "Application") for: (a) allowance of reasonable interim compensation in the amount of \$3,324,284 for 8,198.9 hours of professional services rendered by Applicant on behalf of the Debtors, and (b) reimbursement of \$213,812 in actual and necessary expenses and disbursements incurred for the period of April 14, 2006 through July 31, 2006 (the "Application Period"). In addition, the Applicant also seeks payment for services performed on behalf of the Official Committee of Holders of Executory Contract Rights appointed for these cases (the "Direct Lenders Committee") in the amount of \$40,114 for 84.0 hours. Thus the Applicant is seeking interim compensation in the amount of \$3,364,398 for 8,282.9 hours of professional services rendered and reimbursement of \$213,812.00 in actual and necessary expenses and disbursements incurred during the Application Period. This First Interim Application is filed pursuant to 11 U.S.C. §§ 328, 329, 330, 331 and 503, Fed.R.Bankr.P. 2002 and 2106, and the Guidelines of the United States Department of Justice, Office of the United States Trustee (the "Guidelines"). In support of this First Interim Application, MFIM states the following:

NOTICE

1. A copy of the Application and the Notice of the Application will be served on the United States Trustee at or about the time the Application is filed. Guidelines § 1.1.

2. A copy of the Application and the Notice of the Application will be served upon the Official Committee of Unsecured Creditors of USA Commercial Mortgage Company, the Official Committee of Holders of Executory Contract Rights through USA Commercial Mortgage Company, the Official Committee of Security Holders of USA Capital Trust Deed Fund, LLC and the Official Committee of Equity Security Holders of USA Capital Diversified Trust Deed Fund, LLC (together, "the Committees") at or about the time the Application is filed.

3. A copy of the Notice of the Application filed in connection with the Application identifying Applicant and the amounts requested, will be served on the Debtors and all identified creditors and parties-in-interest. Fed.R.Bankr.P. 2002(a) and (c)(2).

BACKGROUND

4. On April 13, 2006, (the "Petition Date") the Debtors filed voluntary petitions for relief under Chapter 11 of Title 11 ("Chapter 11") of the United States Code (the "Bankruptcy Code").

5. Since the commencement of these cases the Debtors continue to operate their businesses as debtors and debtors-in-possession pursuant to §§ 1107(a) and 1108 of the Bankruptcy Code.

6. This Court has jurisdiction over this motion under 28 U.S.C § 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157.

7. The statutory predicate for the relief requested herein is section 363(b) of the Bankruptcy Code.

8. The Debtors are Nevada corporations with their principal place of business located at 4484 S. Pecos Las Vegas, Nevada. The USA Capital group of companies operates in the commercial mortgage business. Prior to the Petition Date, USA Commercial Mortgage Company (“USACM”) primarily was in the business of originating, brokering, and servicing commercial real estate loans and fractional interests therein. USACM has not originated or brokered any new loans since the Petition Date. USA Capital Reality Advisors, LLC (“USACRA”) is the sole manager of two investment funds, USA Capital First Trust Deed Fund, LLC (“FTDF”) and USA Diversified Trust Deed Fund, LLC (“DTDF”). USA Securities, LLC (“USASA”) served as a sales agent for the investments. USACM continues to provide servicing for the various loans for FTDF, DTDF and other investors.

9. Additionally, as of the Petition Date, USACM was the loan servicer for approximately 115 commercial loans having a combined outstanding balance of approximately \$962 million (the "Serviced Loans"), most of which were secured by various real estate projects or developments.

10. There are approximately 3,600 loan investors (the "Direct Lenders") who own

1 fractional shares of the Serviced Loans and whose names appear as a "Lender" for one or more of the
2 Serviced Loans. Among the Direct Lenders are two of the Debtors, DTDF and FTDF (collectively,
3 the "Funds"). DTDF has approximately 1,900 members and FTDF has approximately 1,300
4 members.

5 11. Pursuant to certain orders of this Court respecting the use of cash, USACM has been
6 transferring certain funds from the Collection Account (primarily loan servicing fees) to its operating
7 account for use in administering these cases and in operating the Debtors' business. Since the
8 petition date, MFIM has caused USACM to continue and indeed accelerate its efforts to collect
9 payments owed on the Serviced Loans.

10 12. On April 13, 2006, the Managers and Boards of Directors of the Debtors executed an
11 agreement with MFIM (the "Agreement") setting forth the terms and conditions for the retention of
12 MFIM as Crisis Managers for the Debtors. The Agreement outlined the designation of Thomas J.
13 Allison as Chief Restructuring Officer for the Debtors (the "CRO") as well as the assignment of other
14 employees of MFIM to assist Mr. Allison as Temporary Employees. Contemporaneously, the
15 Managers and Boards of Directors of the Debtors appointed Mr. Allison as President, Vice-President,
16 Secretary and Manager for the Debtors.

17 13. On April 14, 2006, the Debtors filed an application (the "Employment Application")
18 for authorization of (i) the employment and retention of MFIM as crisis managers to the Debtors, and
19 (ii) the designation of Thomas J. Allison of MFIM as Chief Restructuring Officer of the Debtors and
20 the employment of certain temporary employees provided by MFIM. On April 14, 2006, Mr. Allison
21 filed a Declaration in Support of the Employment Application (the "Allison Declaration"). On April
22 19, 2006, this Court entered an order (the "First Interim Employment Order") authorizing the Debtors
23 to (i) the employ and retain MFIM as crisis managers to the Debtors, and (ii) designate Thomas J.
24 Allison of MFIM as Chief Restructuring Officer of the Debtors and the employment of certain
25 temporary employees for an interim period until July 27, 2006, pursuant to a hearing held on April
26 17, 2006. On August 11, 2006, this Court entered an order (the "Second Interim Employment
27 Order") authorizing the Debtors to (i) the employ and retain MFIM as crisis managers to the Debtors,
28 and (ii) designate Thomas J. Allison of MFIM as Chief Restructuring Officer of the Debtors and the
employment of

1
2 certain temporary employees for an interim period until October 2, 2006, pursuant to a hearing held
3 on July 25, 2006. The Employment Application, the Allison Declaration, the First Interim
4 Employment Order and the Second Interim Employment Order state the terms and conditions of
5 MFIM's employment and are incorporated herein by reference.

6 14. On May 10, 2006, the United States Trustee appointed the following four Committees
7 for these cases: 1) the Official Committee of Unsecured Creditors of USA Commercial Mortgage
8 Company, 2) the Official Committee of Holders of Executory Contract Rights through USA
9 Commercial Mortgage Company, 3) the Official Committee of Security Holders of USA Capital
10 Trust Deed Fund, LLC, and 4) the Official Committee of Equity Security Holders of USA Capital
11 Diversified Trust Deed Fund, LLC. Shortly thereafter, the Court approved applications by each of
12 the committees to employ legal counsel and the applications of three of the four committees to
13 employ financial advisors (the Executory Contract Rights Committee has not asked to employ a
14 financial advisor).

15

MESIROW FINANCIAL INTERIM MANAGEMENT, LLC QUALIFICATIONS

16 15. MFIM is a firm with substantial experience in providing interim management services
17 to financially distressed and troubled companies. The Debtors selected MFIM because of the firm's
18 diverse experience and extensive knowledge in the field of insolvency and reorganization cases.
19 MFIM is a wholly-owned subsidiary of Mesirow Financial Holdings, Inc., a diversified financial
20 services firm which also offers financial consulting, investment management, insurance services,
21 investment banking and real estate services. The MFIM professionals have extensive knowledge and
22 experience in performing the requisite services, including in connection with bankruptcy cases and
23 restructurings. MFIM has highly credentialed professionals that including Certified Public
24 Accountants, Certified Financial Analysts, Certified Turnaround Professionals, Certified Insolvency
25 and Restructuring Advisors, Certified Fraud Examiners and numerous other experienced business
26 professionals. MFIM professionals have provided services in some of the largest and most complex
27 cases in the United States including UAL Corporation, Delta Airlines, Inc., Delphi Corporation, and
28 many other cases. MFIM professionals are experienced in serving in interim management capacities

1 including the role of Chief Restructuring Officer in many cases. In addition, the MFIM professionals
 2 are familiar with the Debtors' businesses and the issues in these cases. As such, MFIM is qualified to
 3 perform the work required in these cases. Appendix I lists the experience and qualifications of the
 4 MFIM professionals rendering services to the Debtors during the Application Period.

6 FEES AND EXPENSES INCURRED DURING THE PERIOD

7 APRIL 14, 2006 THROUGH JULY 31, 2006

8 16. This First Interim Application of MFIM for allowance and payment of compensation
 9 for professional services rendered in the amount of \$3,364,398 for services performed on behalf of
 10 the Debtors and Direct Lenders Committee and for reimbursement of actual and necessary expenses
 11 in the amount of \$213,812. Thus, Applicant seeks to have the Court allow and seeks to be paid by
 12 the Debtors a total amount of \$3,578,210. Applicant expended a total of 8,282.9 hours during the
 13 Application Period at an average blended hourly rate of approximately \$406. Fees and expenses
 14 incurred during the Application Period on behalf of each of the Debtors and the Direct Lenders
 15 Committee are set up in the table below:

	Hours	Fees	Expenses	Total
USA Commercial Mortgage Company	7,632.1	\$3,084,227	\$213,812	\$3,298,039
USA Capital Realty Advisors, LLC	41.9	14,433	-0-	14,433
USA Capital Diversified Trust Deed Fund, LLC	231.6	104,376	-0-	104,376
USA Capital First Trust Deed Fund, LLC	230.8	98,861	-0-	98,861
USA Securities, LLC	62.5	22,387	-0-	22,387
Subtotal	8,198.9	3,324,284	213,812	3,538,096
Direct Lenders Committee	84.0	40,114	-0-	40,114
Total	8,282.9	\$3,364,398	\$213,812	\$3,578,210

24 17. Although certain information in the Application has been presented on a consolidated
 25 basis, MFIM understands that fees and expenses will be paid by the Debtor for which such fees and
 26 expenses were incurred. This compensation will occur to the extent that the Court approves the
 27 Application and that funds are available in each Debtor for the purpose of paying administrative

1 costs. In addition, the amounts sought in this application include fees incurred on behalf of the
 2 Official Committee of Holders of Executory Contract Rights of USA Commercial Mortgage
 3 Company. MFIM will await a ruling from the Court as to the source of payment for these fees.

4 18. The Applicant has made no previous request for compensation.

5 19. In accordance with paragraph #19 of the Declaration of Thomas J. Allison in support
 6 of the Employment Application (the "Declaration"), the Debtors paid a retainer to MFIM for post
 7 petition services of \$150,000 (the "Retainer"). MFIM intends to apply this Retainer to the final
 8 amounts sought and approved for at the end of this Case or such other time as this Court orders.

9 20. The standard hourly rates charged by professionals providing services in this Chapter
 10 matter were previously disclosed in the Employment Application (see paragraph #16 in the
 11 Declaration) and subsequently approved by the Court in the First Interim Employment Order and
 12 Second Interim Employment Order. The standard hourly rates charged by MFIM for the
 13 professionals assigned to this matter are provided below:

	Range of Hourly Rates
Managing Directors/Senior Managing Directors	\$620-\$690
Senior Vice Presidents	\$530-\$590
Vice Presidents	\$430-\$490
Senior Associates	\$330-\$390
Associates	\$190-\$290
Paraprofessionals	\$150

21 21. MFIM's time entries are recorded contemporaneously with the rendition of services
 22 and are maintained by one-tenth of an hour (0.10 hour) increments.

23 22. Due to the special circumstance and location of this case, MFIM has not billed for the
 24 travel and commuting time its professionals incurred in connection with providing services to the
 25 Debtors. To the extent MFIM professionals were engaged in productive activity (for the benefit of
 26 the Debtors) while traveling or commuting, such time was billed.

27 23. Given the breadth of MFIM's role in this matter, a reasonable amount of time and
 28 effort has been invested in the administration and management of the engagement. Considerable

1 effort has been expended to ensure that each duty and task performed by MFIM was performed by a
2 professional/paraprofessional who is qualified to render such service and that there was no
3 duplication of efforts among MFIM personnel or between MFIM personnel and those of the Debtors'
4 other professional advisors. MFIM professionals have delegated responsibility (where appropriate)
5 to utilize the services of professionals/paraprofessionals who bill at lower hourly rates. MFIM is of
6 the opinion that there has been no duplication of time or effort amongst its personnel.

7 24. In circumstances where more than one person may have attended a client meeting or
8 participated in a teleconference, such participation was required as a result of the different projects
9 involved and/or differing expertise of the persons participating. Other meetings or discussions may
10 have been required as a result of a primary engagement person obtaining specialized data or
11 information from someone not otherwise assigned to the engagement or as a result of having a more
12 senior person review the work product of a more junior person. In all cases, such attendance at
13 meetings and/or review of work product was not a duplication of effort, but was necessary to
14 adequately represent the interests of the Debtors' estate.

15 25. Fees and expenses for which MFIM seeks payment, as outlined in this First Interim
16 Application, are believed to comply with the Guidelines unless specifically noted otherwise. The
17 compensation MFIM seeks is reasonable and is for actual and necessary services rendered. The types
18 of services performed by MFIM were previously approved by the Court through its Employment
19 Order. MFIM believes that all of the services performed by its professionals/paraprofessionals have
20 been beneficial to the Debtors' estate, as well as to the interested parties to these proceedings, and
21 have substantially contributed to the cases. All expenses incurred by MFIM were necessarily
22 incurred. The Application includes allocations for fees incurred during activities benefiting several
23 of the Debtors or the Direct Lender Committee. In those instances, the activity description notes
24 contained in Exhibits to this application indicate that fees have been equally divided and assessed to
25 each entity.

26 26. There is no agreement or understanding between MFIM and any other person, other
27 than the members, associates and employees of MFIM, for the sharing of compensation received, or
28 to be received, for services rendered in connection with this matter.

1 27. MFIM has not entered into any agreement, expressed or implied, with any parties-in-
2 interest to the cases (other than the Debtors), for the purpose of fixing the fees or other compensation
3 to be paid to MFIM for services rendered to the Debtors.

4 28. The policies employed by MFIM for seeking reimbursement for out-of-pocket
5 expenses are as follows:

- 6 a. **Airfare** - Costs incurred (if any) by personnel when traveling to/from other
7 cities on behalf of the Debtor were incorporated into this First Interim
8 Application. To the extent any MFIM professional flew first class or
9 business class, the incremental cost of such service upgrade has not been
10 incorporated into the amounts being sought for reimbursement;
- 11 b. **Lodging** - Lodging and related costs, to the extent incurred by personnel
12 while rendering services in connection with this Chapter 11 matter, were
13 incorporated into this First Interim Application;
- 14 c. **Transportation** – Expenses incurred by MFIM professionals for local
15 transportation while outside of their home cities were incorporated into this
16 First Interim Application. Such costs consist primarily of rental car fees
17 shared among two or three people to the extent possible and taxi-cab fares to
18 and from the Debtor's offices. In addition, reimbursement is sought for
19 ground transportation to and from airports associated with air travel by
20 MFIM professionals from other cities. Reimbursement of taxi-cab fares for
21 reasons other than transportation to the office during the engagement (dinner
22 in the evening, etc.) are not being sought in this application;
- 23 d. **Parking** - Parking expenses incurred by MFIM personnel as a result of travel
24 on client matters is reimbursed to MFIM personnel. Costs related to parking
25 at airports while traveling out of town on client matters are also incorporated
26 herein for reimbursement;
- 27 e. **Out of Town Meals** – Costs incurred by MFIM professionals for dinners
28 while traveling outside of their home cities (on matters related to these

1 Chapter 11 cases) are incorporated into this First Interim Application. MFIM
2 has not sought reimbursement for "luxury meals" in this First Interim
3 Application (the costs of all dinners were limited to \$60 per person). Also,
4 MFIM has not sought reimbursement for breakfasts or lunches for MFIM
5 professionals while traveling outside of their home cities;

6 f. **Communication/Telephone** – MFIM is not seeking the reimbursement for
7 costs associated with necessary long distance and wireless phone calls
8 directly related to this matter;

9 g. **Postage/OVERNIGHT Mail/Couriers** - Costs incurred in connection with
10 same-day and over-night courier and delivery services (for materials directly
11 related to this matter) were incorporated into this First Interim Application.
12 MFIM has not sought reimbursement for costs associated with first-class
13 postage incurred in the normal course of its activities in this matter.
14 However, postage costs incurred in connection with the required servicing of
15 notices and other documents filed with the Court may be included herein;
16 and,

17 h. **Duplication/Reprographics** - To the extent incurred, charges for
18 photocopying jobs performed by a third party were charged at the cost of
19 such services.

20 29. Attached as Exhibit A1 hereto are the names, titles, hourly rates, and a summary of
21 hours charged and the total compensation sought for the professionals whose services are being billed
22 during the Application Period in connection with USACM. Attached as Exhibit B1 hereto is a
23 summary schedule of hours and fees incurred by category of services in connection with USACM.
24 Attached as Exhibits C1-A through C1-V are the detailed daily descriptions of services rendered by
25 each professional in connection with USACM during the Application Period, including the hours
26 incurred with respect to each task and the resultant fees.

27 30. Attached as Exhibit A2 hereto are the names, titles, hourly rates, and a summary of
28 hours charged and the total compensation sought for the professionals whose services are being billed

1 during the Application Period in connection with USACRA. Attached as Exhibit B2 hereto is a
2 summary schedule of hours and fees incurred by category of services in connection with USACRA.
3 Attached as Exhibits C2-A through C2-D are the detailed daily descriptions of services rendered by
4 each professional in connection with USACRA during the Application Period, including the hours
5 incurred with respect to each task and the resultant fees.

6 31. Attached as Exhibit A3 hereto are the names, titles, hourly rates, and a summary of
7 hours charged and the total compensation sought for the professionals whose services are being billed
8 during the Application Period in connection with DTDF. Attached as Exhibit B3 hereto is a
9 summary schedule of hours and fees incurred by category of services in connection with DTDF.
10 Attached as Exhibits C3-A through C3-M are the detailed daily descriptions of services rendered by
11 each professional in connection with DTDF during the Application Period, including the hours
12 incurred with respect to each task and the resultant fees.

13 32. Attached as Exhibit A4 hereto are the names, titles, hourly rates, and a summary of
14 hours charged and the total compensation sought for the professionals whose services are being billed
15 during the Application Period in connection with FTDF. Attached as Exhibit B4 hereto is a summary
16 schedule of hours and fees incurred by category of services in connection with FTDF. Attached as
17 Exhibits C4-A through C4-L are the detailed daily descriptions of services rendered by each
18 professional in connection with FTDF during the Application Period, including the hours incurred
19 with respect to each task and the resultant fees.

20 33. Attached as Exhibit A5 hereto are the names, titles, hourly rates, and a summary of
21 hours charged and the total compensation sought for the professionals whose services are being billed
22 during the Application Period in connection with USASA. Attached as Exhibit B5 hereto is a
23 summary schedule of hours and fees incurred by category of services in connection with USASA.
24 Attached as Exhibits C5-A through C5-D are the detailed daily descriptions of services rendered by
25 each professional in connection with USASA during the Application Period, including the hours
26 incurred with respect to each task and the resultant fees.

27 34. Attached as Exhibit A6 hereto are the names, titles, hourly rates, and a summary of
28 hours charged and the total compensation sought for the professionals whose services are being billed

1 during the Application Period in connection with the Direct Lenders Committee. Attached as Exhibit
2 B6 hereto is a summary schedule of hours and fees incurred by category of services in connection
3 with the Direct Lenders Committee. Attached as Exhibit C6-A are the detailed daily descriptions of
4 services rendered by each professional in connection with the Direct Lenders Committee during the
5 Application Period, including the hours incurred with respect to each task and the resultant fees.

6 35. Attached as Exhibit D hereto is a summary schedule of actual and necessary expenses
7 incurred during the Application Period.

8 36. Attached as Exhibit E is a detailed description of the actual and necessary expenses
9 incurred during the Application Period.

10

11 SUMMARY OF SERVICES PROVIDED

12 37. The following is a summary of the categories used to identify the professional services
13 rendered by MFIM during the period April 14, 2006 to July 31, 2006. These descriptions are
14 separated into the following matters:

15 Analyzing/Evaluating Restructuring Alternatives

16 MFIM conducted a review of the Debtors' business, business environment and current strategic
17 position to identify potential alternatives for restructuring. As a part of this review, each alternative
18 was evaluated for implementation risks, likely outcomes and other meaningful parameters. During
19 the Application Period, services provided under this category focused on the sale of all or significant
portions of the Debtors' businesses and assets.

MFIM's efforts in this regard benefited the Debtors by identifying alternatives to restructure the
Debtors thereby attempting to maximize the return to the creditors and other constituencies of these
cases.

MFIM incurred a total of 176.0 hours and \$94,381 of fees with regard to Analyzing/Evaluating
Restructuring Alternatives during the Application Period.

24 Bankruptcy Motions/Filings

25 MFIM planned, reviewed and analyzed first day motions with the Debtors' counsel. In support of
these pleadings, we prepared fact sets for first day motions and subsequent motions including the
continued use of cash, the motion to hold funds and the motion to disburse funds. MFIM reviewed
26 and analyzed objections to motions so that we were able to prepare documentation and fact sets for
replies from counsel. In addition, we researched and prepared documentation requested by U.S.
27 Trustee's office.

1 MFIM's efforts in this regard benefited the Debtors by moving the bankruptcy cases forward in a
2 timely manner and allowing the Debtors to perform certain functions necessary to maintain the
business as a going concern during the cases.

3 MFIM incurred a total of 165.3 hours and \$97,137 of fees with regard to Bankruptcy Motions/Filings
4 during the Application Period.

5 *Bankruptcy Schedules and SOFA's*

6 As part of our support of the Debtors' management, MFIM provided assistance with the preparation
7 and review of the Schedules of Assets and Liabilities and Statement of Financial Affairs of each
8 Debtor. We facilitated and participated in meetings and discussions with Debtors' management,
employees, and counsel to facilitate the compilation of the Schedules and Statement of Financial
9 Affairs. In addition, we analyzed the Debtors' financial statements and records to identify data to be
10 filed on the Schedules and Statement of Financial Affairs.

11 MFIM's efforts in this regard benefited the Debtors by filing the requisite schedules and statements
12 and thus providing information relating to the Debtors' operations and financial affairs to interested
parties in the cases.

13 MFIM incurred a total of 359.1 hours and \$133,089 of fees with regard to Bankruptcy Schedules and
14 SOFA's during the Application Period.

15 *Case Administration*

16 Case administration involved implementation of efficient project management and administration of
the overall case activities. Specific tasks related to coordination of meetings with parties-of-interest,
17 document management, preparation of budgets and work plans, review of confidentiality agreements,
document management, preparation of budgets and work plans, review of confidentiality agreements,
and review of general case filings and press articles. MFIM assisted the Debtors to establish a
18 methodology for responding to questions from borrowers and investors. In addition, we assisted the
Debtors with the creation and review of mailing lists for noticing. Finally, we prepared documents
19 for discussions with U.S. Trustee.

20 MFIM's efforts in this regard benefited the Debtors by facilitating the efficient management of the
businesses and the cases.

21 MFIM incurred a total of 182.3 hours and \$75,744 of fees with regard to Case Administration during
the Application Period.

22 *Cash Flow Analysis & Monitoring*

23 MFIM prepared, reviewed, and analyzed weekly cash forecasts for each of the Debtors. We
24 participated in weekly meetings with the Debtors to identify payments to be made for the week,
analyzed cash balances, analyzed forecasting assumptions and methodology in connection with cash
25 flow forecasting and prepared sensitivity analyses.

1 MFIM's efforts in this regard benefited the Debtors by: 1) establishing a framework for forecasting
2 the Debtors' cash flows, 2) increasing the understanding of the Debtors' cash needs and 3) managing
3 cash disbursements of the Debtors. These outcomes have minimized the financial resources required
for administration of the cases and operation of the Debtors.

4 MFIM incurred a total of 152.6 hours and \$74,622 of fees with regard to Cash Flow Analysis &
5 Monitoring during the Application Period.

6 Committee Issues and Requests

7 MFIM responded to questions and requests from constituents of the four committees appointed in this
8 case, including counsel, financial advisors and individual committee members; MFIM prepared and
9 presented financial and operating information designed to assist the committees' analysis and
assessment of Debtors' financial condition, operations, and transactions. We also met with the
10 individual committees and/or their advisors as requested on an ongoing basis.

11 MFIM's efforts in this regard benefited the Debtors by providing information to each committee
12 appointed in the cases so that they could perform analyses and make decisions to benefit their
constituencies.

13 MFIM incurred a total of 543.1 hours and \$241,001 of fees with regard to Committee Issues and
14 Requests during the Application Period.

15 Company Administration

16 MFIM has assisted and advised the Debtors' management with issues related to operating the
17 ongoing business. Specific issues addressed during this period include administration of cash
18 management systems, issues related to corporate insurance coverage, review of the impact of certain
bankruptcy issues on the Debtors' operations, systems, and employee benefits.

19 MFIM's efforts in this regard benefited the Debtors by allowing them to continue efficiently as going
20 concerns.

21 MFIM incurred a total of 31.3 hours and \$18,761 of fees with regard to Company Administration
22 during the Application Period.

23 Court Hearings/Preparation

24 During the course of the cases, MFIM has prepared for and attended various court hearings.
Preparation consisted of calls and meetings with the Debtors' counsel as well as the production of
25 information and analysis needed for each hearing.

26 MFIM's efforts in this regard benefited the Debtors by providing declarations and testimony for
motions filed by the Debtors and providing information as the Court considered these and other
27 motions presented for the cases. MFIM's participation allowed the Court and other constituencies of
the cases to efficiently administer and consider these issues.

1 MFIM incurred a total of 176.0 hours and \$98,714 of fees with regard to Court Hearings/Preparation
 2 during the Application Period.

3 *DIP Financing / Cash Collateral*

4 MFIM has solicited proposals for Debtor in Possession (“DIP”) financing. This funding was deemed
 5 necessary to provide funding to allow the Debtors to pay their operating and administrative expenses
 6 and to manage cash resources allowing the Debtors the flexibility to consider restructuring
 7 alternatives. Furthermore, additional funding was needed by projects for certain of the loans. MFIM
 8 assisted with preparation and distribution of financial and operational information for review by
 potential lenders. We responded to questions arising from due diligence activities of potential lenders
 and assisted with negotiations of borrowing terms and conditions and analysis of proposals received.

9 MFIM’s efforts in this regard benefited the Debtors by identifying sources of funds to allow the
 10 entities as going concerns and allow for the completion of the cases to a plan of reorganization. In
 11 addition, these efforts lead to a set of third parties interested in bidding on the Debtors thereby
 making that process more efficient.

12 MFIM incurred a total of 129.7 hours and \$72,042 of fees with regard to DIP Financing/Cash
 13 Collateral during the Application Period.

14 *Disclosure Statement/Plan of Reorganization*

15 Activities for this category included the initial development of the plan of reorganization and
 16 disclosure statement as well as the review of information received from counsel relating to the
 17 construction of these documents

18 MFIM’s efforts in this regard benefited the Debtors by timely initiating the process for the
 19 description of and approval for the Debtors’ reorganization and exit from this proceeding.

20 MFIM incurred a total of 13.8 hours and \$8,703 of fees with regard to Disclosure Statement/Plan of
 21 Reorganization during the Application Period.

22 *Employment/Fee Applications*

23 MFIM prepared monthly statements and the Application as required in order to comply with the
 24 Bankruptcy Code, the Bankruptcy Rules, the Guidelines, the Procedures for Interim Compensation
 and other guidelines governing the payment of professionals in these cases.

25 As a result of MFIM’s efforts relating to the monthly statement and application processes, the
 26 creditors, UST, the Court and other parties-of-interest are aware of the work performed, fees
 27 generated and expenses incurred by MFIM.

28 MFIM incurred a total of 119.9 hours and \$18,690 of fees with regard to Employment/Fee
 Applications during the Application Period.

1 *Financial Analyses*

2 During the Application Period, MFIM analyzed and summarized the status of the loans serviced by
3 USACM. We calculated the fees due to USACM under its loan servicing agreements. MFIM
4 analyzed the Debtors' historical financial transactions. In addition, we analyzed variances between
actual performance and budget. MFIM prepared statements for the investors in each loan in the
portfolio.

5 MFIM's efforts in this regard benefited the Debtors by allowing for a better understanding of
6 historical and current financial and operating performance as well as the changing status of the loan
7 portfolio. This knowledge has allowed the Debtors and other parties-of-interest in the cases to make
decisions and to take actions to maximize the return to all constituencies.

8 MFIM incurred a total of 592.2 hours and \$246,990 of fees with regard to Financial Analyses during
9 the Application Period.

10 *Forensic Loan Accounting*

11 During the initial investigation, MFIM established that the internally developed loan servicing system
12 was subject to error and mishandling of data. MFIM researched the source documentation including
13 bank records, loan documentation, assignments of ownership and other related data to reconstruct the
14 proper accounting for each current loan. A detailed analysis of each loan was constructed by MFIM
15 including the initial funding from the Lenders, the initial funding to the Borrower, and each
16 subsequent transaction including accruals of interest, transfers of ownership, payments of principal or
interest by the Borrower, and additional fundings. MFIM is also investigated the transfer of funds
between related party entities, including tracing the cash disbursements to related parties.

17 This work has allowed for an accurate understanding of the status of each loan and investor which
18 allowed a distribution to investors during August, 2006 of money collected by USACM.

19 MFIM incurred a total of 4,156.0 hours and \$1,528,168 of fees with regard to Forensic Loan
20 Accounting during the Application Period.

21 *Investor Issues and Requests*

22 Activities for Investor Issues and Requests included researching and replying to investor inquiries
23 regarding their accounts. MFIM responded to inquiries about their statements, their accounts and
24 their loan portfolios.

25 MFIM's efforts in this regard benefited the Debtors by increasing the information to investors and
thereby increasing understanding of their understanding of the case.

26 MFIM incurred a total of 48.9 hours and \$14,575 of fees with regard to Investor Issues and Requests
27 during the Application Period.

1 Leases, Executory Contracts and Agreements

2 MFIM located and identified the Debtors' leases and executory contracts. We performed various
3 analyses of executory contracts and related cure amounts and estimated/calculated lease rejection
4 damages in association with certain lease agreements. In certain instances, we identified contracts for
5 rejection including contracts signed for the benefit of related parties and prepared analyses pertaining
6 to the Debtors' motion to reject certain leases.

7 MFIM's efforts in this regard benefited the Debtors by allowing for the identification and rejection of
8 contracts not needed for the efficient operation of the Debtors.

9 MFIM incurred a total of 387.4 hours and \$83,762 of fees with regard to Leases, Executory Contracts
10 and Agreements during the Application Period.

11 Liquidation Analysis

12 MFIM prepared initial liquidation assessments of assets for each of the Debtors. Our process
13 included discussions with management and review of existing appraisals as well as the utilization of
14 our business judgment.

15 MFIM's efforts in this regard benefited the Debtors by providing an assessment of one potential
16 outcome for the cases. This assessment is useful for comparison with other alternatives as well as
17 required as part of the Disclosure Statement.

18 MFIM incurred a total of 21.9 hours and \$11,896 of fees with regard to Liquidation Analysis during
19 the Application Period.

20 Loan Portfolio

21 MFIM assisted USACM with the management of loans as Servicing Agent. We calculated default
22 interest and assisted in the preparation of demand letters for borrowers. After reviewing and
23 analyzing settlement proposals and other pertinent information, we engaged in settlement discussions
24 with borrowers. MFIM examined various characteristics of loan documentation and the supporting
25 collateral for the loan portfolio.

26 MFIM's efforts in this regard benefited the Debtors by facilitating maximum recovery of principal,
27 interest and fees due from borrowers.

28 MFIM incurred a total of 462.5 hours and \$238,302 of fees with regard to Loan Portfolio during the
29 Application Period.

30 Management of the Estates by CEO/CRO

31 In conjunction with the bankruptcy filings, Tom Allison was retained by the Debtors as Chief
32 Restructuring Officer and was also appointed President, Vice President, Secretary and Manager. In
33 his role, Mr. Allison has many ongoing management responsibilities including but not limited to

1 development and implementation of case management strategies; organization, management and
2 communications with Debtors' professionals, management team and other parties of interest in the
3 cases; analysis as Loan Servicer; and generally determination of for the various course of action
undertaken by the Debtors to maximize the values of the Estates.

4 MFIM's efforts in this regard benefited the Debtors by utilizing Mr. Allison's experience to manage
the business and the myriad of bankruptcy related issues in an efficient manner.
5

6 MFIM incurred a total of 245.9 hours and \$159,835 of fees with regard to Management of the Estates
by CEO/CRO during the Application Period.
7

8 *Meetings/Teleconferences*

9 During the period, MFIM participated in conference calls and meetings with the Debtors, Debtors'
10 Counsel, and other significant parties of interest regarding multiple issues, topics, preparation of
interim reports and various other analyses. These meetings and discussions with the Debtors,
11 Debtors' Counsel and other significant parties of interest were in conjunction with regular
communications with the Debtors' counsel are essential to effectively communicating analyses,
12 reports and other relevant information on a real-time basis and enabling the Debtors to evaluate issues
and make informed decisions in this cases.
13

14 As a result of these interactions, MFIM was able to efficiently respond to and management various
efforts on behalf of the Debtors.
15

16 MFIM incurred a total of 59.7 hours and \$37,728 of fees with regard to Meetings/Teleconferences
during the Application Period.
17

18 *Monthly Operating Reports*

19 MFIM assisted the Debtors by reviewing, analyzing and preparing various information included in
the monthly operating reports
20

21 MFIM's efforts in this regard benefited the Debtors by providing information relating to the Debtors
to interested parties in the cases as required by the bankruptcy code.
22

23 MFIM incurred a total of 62.2 hours and \$23,982 of fees with regard to Monthly Operating Reports
during the Application Period.
24

25 *Strategic Management*

26 MFIM prepared analyses and assisted the Debtors with decisions to right size the business to operate
efficiently during these proceedings. We also assisted with analyzing the Debtors relationship with
27 companies owned by the equity holders of USACM. This assistance included the negotiation and
execution of a security agreement with USA Investment Partners in support of the amounts it owes to
USACM.
28

1 MFIM's efforts in this regard benefited the Debtors by sustaining and maximizing their value so that
 2 potential recovery is increased to creditors and other parties-of-interest in the cases.

3 MFIM incurred a total of 65.3 hours and \$37,763 of fees with regard to Strategic Management during
 4 the Application Period.

5 *Valuation Analyses / Appraisal*

6 MFIM performed various assessments of the value of the assets belonging to the estates as well as the
 7 value of assets serving as collateral for the loan for which USACM serves as Loan Servicer. Tasks
 8 included the retention of an appraisal firm, support of that firm's activities as well as review of their
 appraisal reports.

9 MFIM's efforts in this regard benefited the Debtors by providing a source of updated and reliable
 10 information used for making decisions related to disposition or, in the case of loans serviced by
 11 USACM, settlement negotiations.

12 MFIM incurred a total of 131.8 hours and \$48,513 of fees with regard to Valuation Analyses /
 13 Appraisal during the Application Period.

Total Hours and Fees	<u>8,282.9</u>	<u>\$ 3,364,398</u>
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15 **CASE ACHIEVEMENTS TO DATE**

16 38. During the Application Period, the Applicant has achieved the following significant
 17 results on behalf of the Debtors:

19 *Debtors' Use of Cash*

21 If the Debtors were not able to use the cash in the Debtors' bankruptcy estates, the Debtors would be
 22 unable to collect amounts owed from borrowers on outstanding loans and unable to continue other
 23 business operations essential in attempting to maximize the return to creditors, direct lenders, and
 24 fund members in these bankruptcy cases. In response to periodic motions made by the Debtors
 25 requesting permission to continue using cash for the essential operations and administrative expenses
 of the Debtors, the Court entered orders on April 19, May 9, May 22, July 25, and during August,
 26 2006, allowing Debtors to continue using cash in the Bankruptcy estates pursuant to proposed cash
 budgets prepared by MIFM.

27 *Motion to Hold Funds*

28 On May 8, 2006, USACM filed a motion requesting permission to temporarily hold funds pending a
 determination of the proper recipients. USACM filed this motion, as directed by the Court, to obtain
 permission from the Court to continue holding funds in USACM's loan servicing collection account

1 until USACM could complete its review and restatement of the Debtors' loan servicing records.
2 After considering all of the responses and oppositions to the motion were filed, the Court granted
3 USACM's motion in an order entered July 7, 2006. Although the Court approved USACM's request
4 to continue to hold the funds temporarily, the Court did not make any rulings respecting the rights of
any party to the funds that were being held.

5 *Construction of Loan General Ledgers*

6 Thomas J. Allison and MFIM investigated the allegations of improper accounting for the Serviced
7 Loans to reconstruct the books and records of the loan portfolio in order to properly account for the
8 payments and disbursements made with respect to each loan in the portfolio. The reconstruction
9 effort focused on accounting for each loan on a separate basis. This effort necessarily included an
10 analysis of the position of each Direct Lender in each specific loan. Under Thomas Allison's
11 direction, USACM prepared a Loan Summary as of the Petition Date containing various data
12 respecting approximately 115 loans that constitute the Serviced Loans. To obtain the information
13 necessary for the Loan Summary, as well as for the Debtors' Schedules and Statement of Financial
14 Affairs, and the Direct Lender Statements prepared as of the Petition Date, it was first necessary to
15 obtain, analyze and reconstruct the loan data. This process began with analyzing the existing
16 USACM database containing data from 2004-2006. As of the Petition Date, USACM's loan
17 servicing database contained substantial errors, including but not limited to the following: (a) some
18 borrower payments were not entered into the system; (b) most interest payments from borrowers
19 were not posted in a timely manner; (c) payments were not applied according to the governing loan
20 documents, which indicate that payments are applied first to outstanding interest, then principal; (d)
21 the amount of interest owed by borrowers was not calculated with correct days or correct amount of
22 principal owing; (e) check numbers used were not in sequence or were used multiple times; and (f)
23 servicing fees were not charged, or were calculated incorrectly using an interest rate "spread" rather
24 than the loan service fee allowed pursuant to the Servicing Agreements signed by each Direct Lender.
25 The research of USACM's books and records also revealed that the historical data prior to 2004 were
kept in Access or Excel electronic files that were overwritten as they were updated, leaving no
historical or audit trail. In addition, there was no reliable system for tracking the numerous
assignments in and out of various loans. Thus, in order to reconstruct the accounting for each loan, it
was necessary to review and analyze the source documentation of Direct Lenders' deposits of
investment funds, fundings to the borrowers, and assignments of Direct Lenders in or out of a loan.
Bank deposits, deposit or clear dates from bank statements, and Assignments were reviewed and
documented. A Loan Ledger was prepared for each of the Serviced Loans using the source data and
the applying the correct interest rate and days outstanding, applying payments first to outstanding
interest then to principal, correcting to use actual dates for the receipt of interest payments,
calculating the amount of unpaid interest owed to Direct Lenders as the promissory note interest rate
less the 1% loan servicing fee allowed under the Servicing Agreements, tracking assignments in and
out of various loans, and recharacterizing payments made to Direct Lenders on a particular loan after
the borrower had repaid the loan as principal repayments, not interest payments (because interest was
no longer due from the borrower).

26

27

28

1 *Debtors' Bankruptcy Statements and Schedules*

2 On June 15, 2006, each of the Debtors filed its Statement of Financial Affairs and its Schedules of
 3 Assets and Liabilities, as required by the Bankruptcy Code, and on June 23, 2006, certain
 4 amendments to the Statements and Schedules were filed. Given the pre-petition loan servicing
 5 irregularities and problems with the Debtors' accounting records, the preparation and filing of the
 6 Statements and Schedules represented a major effort by the Debtors and MFIM.

7 *Investor Statements Mailed to All Direct Lenders and Fund Members*

8 Although not filed with the Court, Investor Statements were prepared and mailed to all direct lenders
 9 and fund members on July 10, 2006, and this was another major milestone in the Debtors' cases.
 10 After completing the accounting investigations and restatements necessary to produce and file the
 11 Statements and Schedules, the Debtors were then able to prepare and mail Investor Statements for
 12 each Direct Lender indicating their positions with respect to each loan in which they had an interest
 13 as of the Petition Date. Investor Statements were also prepared and mailed for the Fund Members
 14 indicating their respective interests in each of the two Funds. Shortly thereafter, the Debtors were
 15 able to update the loan accounting records for each Direct Lender through June 30, 2006, and
 16 updated Investor Statements were mailed out on July 27, 2006.

17 *\$64 Million Distribution Approved by Court and Mailed to Investors in August*

18 One of the primary goals of Debtors was to distribute to investors, as promptly as possible after the
 19 initial accounting work and reconstruction of the loan records was completed, a significant portion of
 20 the funds USACM had collected and was holding. The Applicant's reconstruction of the loan ledgers
 21 and subsequent investor statement analyses during the Application Period (resulting in accurate and
 22 reliable information) made this distribution possible.

23 *Collection Efforts*

24 USACM, as directed by Mr. Allison and assisted by MFIM, has also focused its efforts on collecting
 25 the loans in the portfolio. USACM determined that there were loans past maturity as well as loans
 26 with uncollected interest. A team consisting of USACM staff and MFIM staff has worked diligently
 27 to collect the monies due the Direct Lenders, including the Funds. As of July 31, the team has
 28 collected \$103 million, consisting of \$13 million in past due interest, \$75 million in principal, and
 29 \$15 million in current interest. In addition, MFIM will continue to diligently pursue past due and
 30 delinquent and anticipates continuing success in collecting significant amounts for the benefit of the
 31 investors in the loans serviced by USACM.

32 *Identification of Potential DIP Lenders*

33 MFIM worked diligently to locate a source for funding for the Debtors in this case. To that end, we
 34 spoke to a large number of potential lenders and executed confidentiality agreements with eight of
 35 those firms. We supported the potential lenders' due diligence efforts and negotiated terms for the

1 financing. These efforts resulted in the receipt of two commitment letters which were presented in
2 separate motions to the court.

3 Sales Process

4 The Applicant conducted an extensive sales process in an effort to provide a viable restructuring
5 alternative for the Debtors. We identified well qualified bidders and executed confidentiality
6 agreements with fourteen potential purchasers. As part of the process, we responded to extensive due
7 diligence requests from the fourteen potential bidders through the production of information,
8 participation in presentations and discussions as well as facilitation of communications with
9 borrowers and other parties-in-interest. We initiated a process that which allowed for evaluating and
comparing preliminary bids. These efforts resulted in a vibrant solicitation process which introduced
a sale alternative as part of a reorganization for consideration by the Debtors and creditors of the
estates.

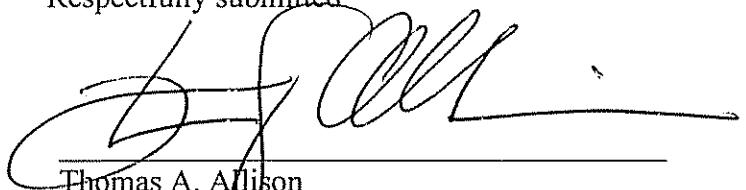
10
11 **CONCLUSION**

12 39. As outlined herein, MFIM believes its efforts have facilitated and will continue
13 to facilitate the Debtors' efforts to bring about a resolution to this matter in a manner which
14 maximizes the value of the Debtors. Accordingly, the MFIM believes its services have been, and will
15 continue to be, beneficial to the Debtors' estate and the various interested parties, thereby satisfying
16 the requirements provided by Bankruptcy Code §330-331.

17 WHEREFORE, MFIM prays for an Order Awarding Interim Compensation in the
18 total amount of \$3,364,398 representing fees incurred during the period from April 14, 2006 through
19 July 31, 2006 in the amount of \$213,812 and actual and necessary expenses incurred during the same
20 time period totaling \$3,578,210.

21 DATED: August 31, 2006.
22

23 Respectfully submitted
24



25
26 Thomas A. Allison
27 Senior Managing Director
28 Mesirov Financial Interim Management, LLC
Chicago, IL 60610